

**South Carolina
Governor's School for Agriculture at John de la Howe**

McCormick, South Carolina

State Auditor's Report

June 30, 2020



Independent Accountant's Report on Applying Agreed-Upon Procedures

August 18, 2021

Timothy Keown, President
and
Members of the Board of Trustees
South Carolina Governor's School for Agriculture
at John de la Howe
McCormick, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Governor's School for Agriculture at John de la Howe (the School) for the fiscal year ended June 30, 2020. The School's management is responsible for the systems, processes and behaviors related to financial activity.

The School's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the School to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the School for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the School's management. Management of the School has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

We are required to be independent of the School and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board and management of the School, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor

Agreed Upon Procedures Related the South Carolina Governor's School for Agriculture at John de la Howe (L12)

Cash Receipts/Revenues

1. Haphazardly select seven cash receipts transactions and inspect supporting documentation to determine:
 - Transactions agree with the general ledger as to amount, date, payor, and account classification.
 - Receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2020 Appropriations Act.
 - Both revenue collections and amounts charged are properly authorized by law.
 - Receipts are recorded in the proper fiscal year.

Finding

Fund Coding - Pension Credit - The School recorded the fiscal year 2020 pension credit totaling \$31,516 to the earmarked fund, resulting in a negative balance for the related fringe benefit general ledger accounts. No other salary or fringe benefit expenditures were recorded in the earmarked funds. This transaction should have been allocated to the general and restricted funds where related salaries were recorded.

Management Response

Fund Coding - Pension Credit – The School agrees with this finding and will have training for staff to ensure that pension credits are allocated to applicable funds.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select five non-payroll disbursements from the 502 - Contractual Services account series and inspect supporting documentation to determine:
 - The transactions are properly completed as required by School procedures, and invoices agree with general ledger as to vendor, invoice amount, and date.
 - All supporting documents and approvals are present and agree with the invoice.
 - The transactions are actual expenditures of the School.
 - The transactions are properly classified in the general ledger.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy.
3. Haphazardly select six purchasing card transactions from the Office of the State Comptroller General's (CG's) listing of purchasing card transactions and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with School policies.
 - The purchases are authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchases did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

4. Haphazardly select four journal entries and two transfers and inspect supporting documentation to determine:
 - Postings in the general ledger agree to supporting documentation.
 - Transactions are properly approved.
 - The purpose of the transactions.

We found no exceptions as a result of this procedure.

Reporting Packages

5. Inspect fiscal year end reporting packages submitted to the CG. Compare responses in the Master Reporting Package Checklist and any required supplemental information to the South Carolina Enterprise Information System (SCEIS) and School prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.
6. In addition to the procedure above, perform the following:
 - Capital Assets Reporting Package

Compare responses to the SCEIS general ledger, the SCEIS *Asset History* report, and School prepared records.
 - Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting Operating Lease Expense with Vendor* report and School prepared records. In addition, based on inspection of invoices and lease agreements, determine that rental payments were properly classified, coded, and calculated by inspecting and recalculating the following reported amounts: (1) Four haphazardly selected contingent rental payments and (2) One haphazardly selected payment for each vendor included in the one time or unusual in nature rental payments.
 - Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and School prepared records.

Findings

Timely Submission of Reporting Package – The master reporting checklist was submitted to the CG two business days late.

Accounts Payable Reporting Package Omission – The School was prompted to submit an accounts payable reporting package when answering questions on the master reporting checklist but did not submit the package. According to SCEIS, the School had payables of \$176,262 that should have been reported.

Capital Assets Reporting Package – The School did not complete the *Reconciliation of SCEIS Asset History Report Activity to General Ledger Activity* form, resulting in an overstatement of \$15,400 of debits and credits in the tools and other equipment general ledger account. Additionally, there was an overstatement of \$41,528 of credits for the vehicles and transportation general ledger account and debits for the other equipment general ledger account.

Additionally, the School did not complete *Part V - Collection of Works of Art and Historical Treasures* of the reporting package.

Operating Leases Reporting Package – Three base rental payments totaling \$1,146 were misclassified as contingent rental payments.

Reporting Packages (Continued)

Management Responses

Timely Submission of Reporting Package – The School agrees with this finding. We will strengthen year-end procedures to ensure packages are completed on time as well as communicating any issues with the CG as a part of our year-end closing process.

Accounts Payable Reporting Package Omission – The School agrees with this finding and will ensure that reports are submitted when required and by the due date. Additional training and more detailed review procedures will be implemented.

Capital Assets Reporting Package – The School agrees with this finding. There has been turnover in the business department area, and we plan to fill those vacancies in order to perform the capital assets reconciliation by the due dates.

Additionally, the School has submitted in our strategic planning to hire additional resources that will be able to perform the inventory of the collection of works of art and historical treasures and assist with internal auditing.

Operating Leases Reporting Package – The School agrees with this finding and will develop and document procedures to ensure that rental payments are classified correctly.

Composite Reservoir Accounts

7. Obtain a listing of School composite reservoir accounts and inquire of School management that the listing is complete.
8. Determine that the School submitted the required *Bank Account Transparency and Accountability* report to the State Fiscal Accountability Authority by October first of the fiscal year in accordance with Proviso 117.82 of the fiscal year 2020 Appropriations Act.
9. Obtain fiscal year monthly reconciliations for each composite reservoir account, select three reconciliations, and perform the following procedures:
 - Recalculate selected reconciliations and determine that they were timely performed, reviewed, and properly documented in accordance with School procedures.
 - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were explained and resolved.
 - Determine if adjusting entries were made in the accounting records.
10. Haphazardly select and inspect three composite reservoir account receipts to determine that they were properly described and classified in the accounting records and that they were recorded in the proper fiscal year.

We found no exceptions as a result of the procedures. However, see composite reservoir account procedures recommendation on page 6.

Assets and Personal Property

11. Haphazardly select three capital asset acquisitions and inspect supporting documentation to determine that each asset was properly capitalized and recorded in the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
12. Haphazardly select two capital asset retirements and inspect supporting documentation to determine that each asset was approved for removal and removed from the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
13. Through inquiry of management and inspection of supporting documentation, determine that an inventory of School property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Assets and Personal Property (Continued)

14. Haphazardly select five assets from the SCEIS *Asset History* report and observe their existence and agree them to the School's fiscal year 2020 asset inventory.
15. Inspect the School's portion of the *Summary of Permanent Improvement Projects* from the State of South Carolina 2019 Comprehensive Permanent Improvement Plan for the Plan Years 2020-2024 in accordance with South Carolina Code of Laws Section 2-47-55. Through inquiry with management and inspection of the status of each project, determine if the plan is an accurate representation of the School's activities. Additionally, haphazardly select three projects from plan year 2020 to determine if each project was properly capitalized and posted to the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.

Findings

Asset Capitalizations – An asset totaling \$8,935 was incorrectly recorded in the factory equipment general ledger account instead of the vehicles general ledger account. An equipment transaction had no sales tax included which resulted in the School not remitting required sales tax and the equipment capitalization being understated by \$1,232. An asset was understated by \$508 due to a portion being miscoded to the fees and fines general ledger expenditure account rather than being capitalized. A campus security lighting project with a total cost of \$175,222 was not capitalized.

Asset Retirements – The School was unable to provide documentation of the approval for two asset retirements. Also, the two assets were retired in fiscal year 2016 but not removed from SCEIS until fiscal year 2020.

Personal Property Inventory – The School did not complete an inventory of personal property as required by South Carolina Code of Laws Section 10-1-140 during fiscal year 2020.

Management Responses

Asset Capitalizations – The School agrees with this finding and will ensure in the future that acquisitions are classified properly in the appropriate general ledger codes. Additional training and enhanced review procedures will be implemented to ensure acquisitions and capital projects are capitalized properly.

Asset Retirements – The School agrees with this finding. The School will ensure that all retired assets are properly approved and removed from SCEIS in the fiscal year they are retired. We will implement more robust review procedures related to asset retirements. We will also perform a detailed review of assets on hand compared to assets on the books to ensure they are accounted for properly.

Personal Property Inventory – The School agrees with this finding. We will implement procedures to ensure this inventory is completed each year to comply with SC Code of Laws Section 10-1-140.

Fiscal Monitoring of Schools

16. Through inquiry with management, document the status of the School's enrollment of students, hiring of faculty, status of composite accounts, and any agreements entered into to help further the School's mission.

We found no exceptions as a result of this procedure.

Foundation and Alumni Association

17. Through inquiry with management, determine the status of the memorandum of understanding between the School and the John de la Howe Foundation as well as the School and the Alumni Association.

Foundation and Alumni Association (Continued)

18. Haphazardly select five transactions that occurred between the School and the Foundation and Alumni Association to ensure the transactions were properly recorded in compliance with the agreements between the School and the Foundation and Alumni Association.

We found no exceptions as a result of the procedures.

Procurement

19. Haphazardly select ten procurement transactions and inspect supporting documentation to determine the disbursements complied with the School's procurement procedures as well as the South Carolina Code of Laws Sections 11-35-1520 and 11-35-1550.

We found no exceptions as a result of this procedure.

Appropriation Act / School-Specific Provisos

20. Determine compliance with School-specific state provisos 7.3 (Deferred Salaries Carried Forward) and 7.4 (Reduction in Force Carry Forward) by inquiring with management and observing supporting documentation.
21. Determine that the fair market rental value of any residence furnished to a state employee is reported by the School furnishing the residence to the Agency Head Salary Commission and the Department of Administration by October 1 of the fiscal year.

Finding

Allowances for Residences - The School did not submit a report of the fair market rental value of residences furnished to state employees to the Agency Head Salary Commission or the Department of Administration.

Management Response

Allowances for Residences – The School agrees with this finding and will develop training and implement new procedures to ensure that the fair market value is submitted to the Agency Head Salary Commission and the Department of Administration by October 1 of the fiscal year. This omission was an oversight that has been properly completed in previous years.

Status of Prior Findings

22. Through inquiry of management and inspection of supporting documentation, determine the School has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined that the School has taken adequate corrective action on the findings reported during the engagement for the prior fiscal year, except for the **Cash Receipts/Revenues Pension Credit, Capital Assets Reporting Package, Operating Lease Reporting Package, and the Asset Capitalizations** findings above.

Recommendations

General Ledger Account Coding – Utility Reimbursement – Three transactions related to utilities reimbursement with a total of \$516 were recorded in general ledger account Rent-Residence. The School should have recorded these reimbursements in the appropriate utility account where the corresponding expenditure was recorded, Electricity. The School should review transactions more closely to ensure proper recording.

Sale of Farm and Nursery Product and Sale of Timber – The School should create written procedures regarding the sale of natural goods, animals, and associated byproducts grown and housed on the School's property.

Recommendations (Continued)

Composite Reservoir Account Procedures – The School should update and strengthen written procedures including specific procedures regarding timely reconciliation.

Asset Inventory – We observed minor discrepancies related to the School's asset inventory. The School should update their asset inventory to reflect the correct quantities, serial numbers, and inventory numbers for each asset.